

NEBRASKA'S REIMBURSABLE EMPLOYER FOR UNEMPLOYMENT INSURANCE



Nebraska Department of Labor | April 2011

Financial responsibilities of government employers and 501(c)(3) nonprofit organizations become magnified when there are layoffs due to budget cuts. A reduction in staff costs will certainly reduce operating expenses for wages and benefits in the short term. However, another consideration must be addressed – what is the cost of unemployment benefits? To answer that question you need to know if you are a reimbursable or contributory employer.

Q: What is the difference between contributory and reimbursable employers?

A: **Contributory** employers pay a quarterly tax on the first \$9,000.00 in wages earned per employee per year. The tax rate is determined by a number of factors.

Reimbursable employers do not pay a quarterly tax. However, because they do not pay a quarterly tax, **reimbursable** employers are required to reimburse the Unemployment Trust Fund for all unemployment benefits paid to a former employee which are based upon wages earned in the employment of the reimbursable employer.

Of the total 48,246 employers in Nebraska in 2010, 46,938 were **contributory** employers and 1,308 were **reimbursable** employers.

Q: How to become a reimbursable or contributory employer?

A: Governmental entities and 501(c)(3) nonprofit employers may elect to become a **reimbursable** employer by filing a written election with the Commissioner of Labor not later than December 1, which will become effective the following year. All governmental entities, and 501(c)(3) nonprofit employers are treated as a **contributory** employer unless an election to be a **reimbursable** employer is filed. An employer's election to become **reimbursable** will remain in effect until the election is terminated (see below). To find the status of your organization, please contact the Nebraska Department of Labor Unemployment Insurance Tax Division.

Q: What is the fiscal difference between being a contributory and reimbursable employer?

A: As previously stated, a **contributory** employer will pay tax on the first \$9,000.00 in wages earned per employee per year. At the current highest tax rate, this means that the **contributory** employer will pay (regardless of the number of benefits claims):

$\$9,000.00 \times 8.66\% = \779.40 per employee per year

If a **contributory** employer has 100 employees, it would pay \$77,940.00 per year in combined tax, regardless of whether any claims are made against the **contributory** employer.

In contrast, a **reimbursable** employer pays no combined tax, but reimburses the Unemployment Trust Fund for benefits paid to its former employees as they claim benefits. An employee may claim at most \$348.00 per week for 26 weeks for regular unemployment benefits. Thus, a **reimbursable** employer could be liable for as much as:

$\$348.00 \times 26 = \mathbf{\$9,048.00}$ per unemployed former employee per benefit year.¹

Q: Wait ... where did those numbers come from?

A: A **contributory** employer's tax rate for a given year is calculated based upon an experience rating system. To determine a **contributory** employer's experience, a formula using the total wages paid in the state in a one year period ending on September 30 of the previous year, the balance in the Unemployment Trust Fund available to pay benefits and the total amount of taxes paid by that employer less all unemployment benefits ever charged to that employer's experience account and the employers average annual taxable payroll.

To calculate a former employee weekly benefit amount (WBA), the Nebraska Department of Labor first looks to the claimant's base period which is comprised of the first four of the last five calendar quarters immediately preceding the day the claimant first files his or her claim.¹

(See—Appendix A for a graphical representation of a former employee's base period.)

A former employee weekly benefit is determined by the quarter during that period in which the former employee was paid the most wages. That amount is divided by thirteen to find the former employee's average weekly wage. The former employee's WBA is the lesser of half of the former employee's average weekly wage or half of the state average weekly wage (as calculated by the Nebraska Workers' Compensation Court - \$697.50 for calendar year 2011) rounded down to the nearest dollar. For example, imagine a former employee who earned at most \$9,050.00 in any one quarter of his or her base period. The former employee's WBA would equal:

$(\$9,050.00 \div 13) \div 2 = \$348.07 \Rightarrow \mathbf{348.00}$ per week

Q: If a former employee has a WBA of \$348.00, does that mean they will always get \$9,048.00 of total benefits for a claim?

A: No. A former employee's maximum benefit amount (MBA) is the lesser of twenty-six times the former employee's WBA, or one-third of the total wages earned in the former employee's base period. Consider the following elaboration on the previous example. If the former employee earned \$9,050.00 in every quarter in his or her base period, the determination of the former employee's MBA would look like this:

$$26 \times \$348.00 = \$9,048.00$$

$$(\$9,050.00 \times 4) \div 3 = \$12,066.67$$

$$\$9,048.00 < \$12,066.67 \Rightarrow \mathbf{MBA = \$9,048.00}$$

Consider, however, a former employee who was paid \$9,050.00 in one base period quarter, but only worked in one other base period quarter, and was paid \$1,950.00 in that quarter. The former employee's WBA remains at \$348.00, but:

$$(\$9,050.00 + \$1,050.00) \div 3 = \$3,666.67$$

$$\$3,666.67 < \$9,048.00 \Rightarrow \mathbf{MBA = \$3,666.67}$$

Q: How much does a former employee have to have earned to qualify for benefits in the first place?

A: A former employee must have earned at least \$800.00 in wages in each of two quarters within his or her base period, as well as have earned at least \$2,781.00 in wages total within the base period. Effective July 1, 2011 the minimum amount of wages earned in order to be eligible for unemployment benefits increases to \$3,770.00. Importantly, these values can be satisfied by combining earnings from all employers. Thus, just because an employer did not pay a former employee those amounts within the base period, that does not necessarily preclude the former employee from qualifying.

Q: How do I know how much my organization owes in benefits?

A: At the end of each quarter, the Nebraska Department of Labor sends a Statement of Benefit Charges (Form UI87A) to all employers. For **contributory** employers, this serves as notice for unemployment benefits charged to the employer's experience account that quarter.

For **reimbursable** employers, Form UI87A lists all benefits paid based upon wages earned from that employer and serves as a billing statement for the amount that must be reimbursed to the Unemployment Trust Fund.

Q: What if I fired an employee for misconduct or the employee quit without good cause? Do I still have to pay benefits?

A: A former employee that is fired for misconduct or quits without good cause is disqualified from some, but not all benefits. The disqualified former employee must serve a disqualification period before they can receive benefits³ and the amount of benefits which they may draw is reduced.

Contributory employers are not charged for the benefits paid to a former employee who was fired for misconduct or quit without good cause.

Reimbursable employers are charged for benefits paid after the disqualification period³ to a former employee who was fired for misconduct or quit without good cause.

Q: It is in my organization's best interest to become a contributory employer again. What needs to happen?

A: A **reimbursable** employer may terminate its election to be classified as a **reimbursable** employer and become a **contributory** employer by filing a notice of termination with the Commissioner no later than December 1. The employer would then become **contributory**, effective the following January 1.

Q: What are the important considerations involved with transferring from being a reimbursable to contributory employer?

A: First, it is important to note that an employer that terminates its election to remain **reimbursable** must remain **contributory** for two years.

Further, an employer that switches from **reimbursable** to **contributory** status must consider that it is still liable for any benefits paid that correspond to wages earned by the former employee while the employer was a **reimbursable** employer. Because a former employee can receive as many as 26 weeks of benefits, a considerable amount of time can pass between the day the employee separated from the employer and the last week the former employee receives benefits. For example, assume an employee leaves an employer on January 7 of a given year (Year 1). If that person does not file an unemployment claim until June 30 of the following year (Year 2), the wages earned from that employer during that week in January still fall into the former employee's base period. Thus, the employer would still be liable for benefits paid in December of Year 2, nearly two years after the former employee stopped working for the employer.

Q: Where can I find more information?

A: "The Employer's Guide to Unemployment Insurance" is available at dol.nebraska.gov. Click on "Business Services" on the right-hand side, then "Unemployment Insurance Handbook" from the dropdown menu.

Foot Notes:

¹A benefit year is the 52 week period beginning with the effective date of an unemployment claim.

²Effective July 1, 2011 an alternative base period comprised of the four mostly recently completed quarters will be used to compute the benefits for some former employees who are not monetarily eligible under the standard base period. A table showing the alternative base period is set forth in Appendix B.

³The disqualification period is currently 1 or 12 weeks depending upon the type of separation. Effective July 1, 2011 disqualification periods will be 2, 13 or 14 weeks depending upon the type of separation.

Appendix A: Base Periods

The following table is a graphical depiction of an unemployment benefit claimant's base period. The yellow box in each row signifies the calendar quarter during which the former employee filed his or her claim. The gray boxes depict the quarters containing the wages that would be used to determine the former employee's benefit amount.

Oct Nov Dec	Jan Feb Mar	Apr May Jun	Jul Aug Sept	*	Jan Feb Mar				
	Jan Feb Mar	Apr May Jun	Jul Aug Sep	Oct Nov Dec	*	Apr May Jun			
		Apr May Jun	Jul Aug Sep	Oct Nov Dec	Jan Feb Mar	*	Jul Aug Sep		
			Jul Aug Sep	Oct Nov Dec	Jan Feb Mar	Apr May Jun	*	Oct Nov Dec	

Appendix B: Alternative Base Periods

Effective July 1, 2011, an alternative base period of the four mostly recently completed quarters will be used to compute the benefits for some former employees who are not monetarily eligible under the standard base period. The following table is a graphical depiction of an unemployment benefit claimant's base period. The yellow box in each row signifies the calendar quarter during which the former employee filed his or her claim. The gray boxes depict the quarters containing the wages that would be used to determine the former employee's benefit amount.

*	Jan Feb Mar	Apr May Jun	Jul Aug Sept	Oct Nov Dec	Jan Feb Mar				
	*	Apr May Jun	Jul Aug Sep	Oct Nov Dec	Jan Feb Mar	Apr May Jun			
		*	Jul Aug Sep	Oct Nov Dec	Jan Feb Mar	Apr May Jun	Jul Aug Sep		
			*	Oct Nov Dec	Jan Feb Mar	Apr May Jun	Jul Aug Sep	Oct Nov Dec	



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